

The Effects of CEO Pay Structure on Corporate Social Performance[†]

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Corporate social performance (CSP) is increasingly viewed as an important business outcome by researchers, investors, and society as a whole. Furthermore, empirical research indicates that CSP is positively related to corporate financial performance. These considerations lead to the question of whether CEO pay is properly structured to provide incentive to the CEO to improve firm CSP. In a sample of 313 firms, the authors found that a short-term CEO pay focus was negatively related to CSP, whereas a long-term focus was positively related to CSP. Implications of these results for future research and CEO pay design are presented.

Keywords: *corporate social performance; compensation; incentives; stakeholder theory; agency theory*

Today's business environment calls for both profitable and socially responsible management. Firms are under increasing pressure to embrace social responsibility in part because of emerging standards related to social performance (e.g., the United Nations Global Compact, the Organization for Economic Cooperation and Development Guidelines for Multinational

†This article was accepted under the editorship of Daniel Feldman.

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Journal of Management, Vol. 32 No. 3, June 2006 329-342

DOI: 10.1177/0149206305280113

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